

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL MEMORANDUM**

**SB 422 – HB 999**

March 11, 2013

**SUMMARY OF ORIGINAL BILL:** Changes the wholesaler beer tax from a tax levied on the retail price charged by wholesalers to retailers, to a tax levied on the retail price, less any state and federal beer barrel privilege taxes charged by wholesalers to retailers.

**FISCAL IMPACT OF ORIGINAL BILL:**

Decrease State Revenue - \$44,200/Department of Revenue

Decrease Local Revenue - \$8,539,100

**SUMMARY OF AMENDMENT (004433):** Deletes all language after the enacting clause. Removes the current wholesaler beer tax, which is 17 percent of the wholesale price of beer. Re-establishes the wholesaler beer tax as a flat tax equal to \$35.60 per barrel. Reallocates wholesaler beer tax revenue as follows: \$0.17 to the Department of Revenue for administration; \$0.92 to wholesalers for cost of accounting; and all remaining collections are apportioned to local governments.

**FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

**Increase State Revenue – \$36,200/Department of Revenue**

**Increase Local Revenue - \$13,931,900**


Assumptions for the bill as amended:

- There are currently 4,081,355 barrels of beer sold annually in Tennessee (\$17,509,014 beer barrel tax collections statewide in FY11-12 / \$4.29 beer barrelage tax). This number is assumed to remain constant into perpetuity.
- Current wholesaler beer tax collections allocated to the state totaled \$675,594 in FY11-12. These collections represented the current allocation to the Department of Revenue equal to 0.5 percent of total collections pursuant to Tenn. Code Ann. § 57-6-103(f).
- Total wholesaler beer tax collections for FY11-12 are estimated to be \$131,518,800 (\$675,594 / 0.5%).

- Pursuant to Tenn. Code Ann. § 57-6-103(f), wholesalers are authorized to retain three percent of the total collections of the wholesaler beer tax. Wholesalers are estimated to have retained \$3,945,564 ( $\$131,518,800 \times 3\%$ ) in FY11-12.
- Under current law, the remaining 96.5 percent of wholesaler beer tax collections is allocated to local governments. As a result, local governments are estimated to have collected \$126,915,642 ( $\$131,518,800 \times 96.5\%$ ) in FY11-12.
- Under the bill as amended, the wholesale beer tax would be \$35.60 per barrel.
- Total wholesaler beer tax collections are estimated to be \$145,296,238 ( $4,081,355 \text{ barrels} \times \$35.60$ ).
- The state will receive \$0.17 per barrel. This will result in total collections to the state of \$693,830 ( $4,081,355 \times \$0.17$ ).
- The total increase in recurring state revenue is estimated to be \$36,236 ( $\$693,830 - \$657,594$ ).
- It is assumed wholesalers will retain \$3,754,847 ( $4,081,355 \times \$0.92$ ).
- Local governments are estimated to collect \$140,847,561 [ $\$145,296,238 - \$693,830 - \$3,754,847$ ].
- The total recurring increase in local revenue is estimated to be \$13,931,919 ( $\$140,847,561 - \$126,915,642$ ).

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

/cce